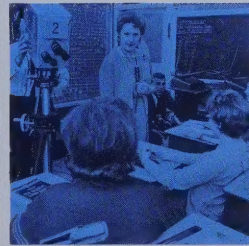
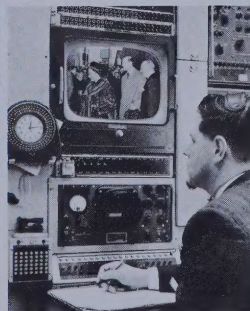
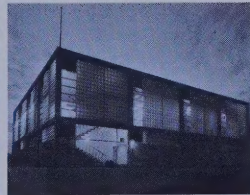
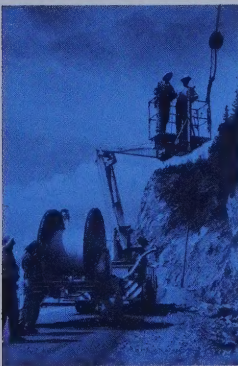


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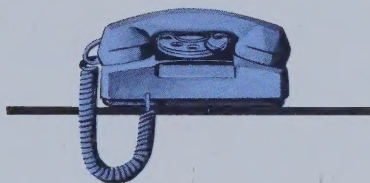


ANNUAL REPORT 1963



COMPARATIVE HIGHLIGHTS

	1963	1962
	(In Thousands)	(In Thousands)
Subsidiaries		
Total Operating Revenues.....	\$82,222	\$75,997
Operating Expenses and Taxes less Miscellaneous Other Income — Net	62,231	57,535
Net Operating Income of Subsidiaries.....	\$19,991	\$18,462
Interest and Other Deductions.....	14,486	13,854
Net Income of Subsidiaries Applicable to Anglo...	\$ 5,505	\$ 4,608
Dividends Paid to Anglo.....	3,563	2,952
Earnings Retained by Subsidiaries.....	\$ 1,942	\$ 1,656
Anglo-Canadian Telephone Company		
Income from Subsidiaries:		
Note Interest, Dividends on Preferred Stock and Other Income	\$ 121	\$ 527
Dividends on Common Stock.....	3,563	2,952
Miscellaneous Income	76	51
Total Income	\$3,760	\$3,530
Operating Expenses, Taxes and Fixed Charges.....	668	1,162
Consolidated Net Income.....	\$ 5,034	\$ 4,024
Dividends on Preferred Stock.....	845	644
Consolidated Net Income Applicable to Class A and Deferred Stocks	<u>\$ 4,189</u>	<u>\$ 3,380</u>
Earnings Per Share:		
Anglo-Canadian Telephone Company—		
Earnings Per Average Share of Class A Stock Out- standing	\$ 2.53	\$ 2.33
Earnings Per Share of Deferred Stock Outstanding	\$ 1.93	\$ 1.73
Anglo-Canadian Telephone Company and Subsidiaries—		
Earnings Per Average Share of Class A Stock out- standing	\$ 4.61	\$ 4.43
Earnings Per Share of Deferred Stock Outstanding	\$ 4.01	\$ 3.83
Dividends Paid:		
Class A Stock (In Thousands).....	\$ 1,102	\$ 709
Per Share	\$ 1.50	\$ 1.20
Deferred Stock (In Thousands).....	\$ 180	\$ 120
Per Share	\$.90	\$.60



ANUAL REPORTS OF THE BOARD OF DIRECTORS AND OF THE AUDITORS 1963 . . .

5th March 1964

TO THE SHAREHOLDERS:

There is submitted herewith the Twenty-ninth Annual Report of Anglo-Canadian Telephone Company for the year 1963. This report is presented in two sections, as contemplated by Section 1 of Article II of the Company's General By-laws: *First*, the Annual Report of the Board of Directors, to which is appended balance sheets, statements of income and statements of earnings retained for use in the business, individually and consolidated with its subsidiaries as at 31st December 1963 (being a date not more than four months before the Annual Meeting), together with comparative results for the year 1962; and *Second*, the Annual Report for the year 1963 of the Company's auditors, Riddell, Stead, Graham and Hutchison, dated 30th January 1964.

John J. Douglas
President

SUMMARY OF OPERATIONS

ANNUAL REPORT of the BOARD OF DIRECTORS

EARNINGS AND DIVIDENDS

Anglo-Canadian Telephone Company. Corporate net income for the year 1963 amounted to \$3,091,988, compared with \$2,368,546 in 1962. After deducting dividends on the preferred stocks, earnings available for Class A and Deferred stocks were \$2,247,280, an increase of \$522,484 over the 1962 earnings of \$1,724,796, equal to \$2.53 per share of Class A stock and \$1.93 per share of Deferred stock. This compares with \$2.33 and \$1.73, respectively, for the year 1962. Dividends paid on the Class A stock in 1963 amounted to \$1.50 per share against \$1.20 paid in 1962. A similar increase of \$.30 per share was paid on the Deferred stock in 1963. The total dividends paid on the Class A stock and on the Deferred stock in 1963 represented a payout of 64.5% of available earnings after provision for the annual sinking fund requirement of \$260,000 on the Company's 6% Debentures.

Anglo-Canadian Telephone Company and Subsidiaries. Consolidated net income of the Company and its subsidiaries was \$5,034,142 in 1963, compared with

\$4,024,093 in 1962. After deducting preferred dividends, the consolidated earnings per share of Class A stock outstanding were \$4.61 in 1963 compared with \$4.43 in 1962 and the per share earnings on the Deferred stock amounted to \$4.01 in 1963 compared with \$3.83 in 1962.

The Directors declared a dividend of \$.40 per Class A share for the first quarter of 1964, the same amount declared for the last two quarters of 1963.

FINANCIAL

In May, 1963 the Company sold 140,000 shares of \$2.65 Cumulative Preferred Stock having a par value of \$50.00 per share. The net proceeds received from the sale of these shares, supplemented by general funds of the Company, were used to redeem a note payable held by the Company's parent, General Telephone & Electronics Corporation, in the amount of \$7,200,000.

A further payment of \$131,428 was received from the Canadian War Damage Commission in December, 1963 as partial settlement of its claim in respect of its previous investment in Philippine Long

Distance Telephone Company. Total payments received since 1960 from this source amount to \$779,369.

BRITISH COLUMBIA TELEPHONE COMPANY

British Columbia Telephone Company, 50.14% of the outstanding Ordinary shares of which are owned by Anglo, owned and operated 94% of all the telephones in the Province of British Columbia at the end of 1963. Reflecting the prosperity of the Province, 30,811 new telephones were added during the year. The company operated 625,103 telephones at year-end, 98% of which were dial operated and 68% were already linked by Direct Distance Dialing to 60,000,000 other North American subscribers.

Total revenues of \$77,392,000 were up 8% from the 1962 level of \$71,635,000. Net operating income improved to \$17,820,000 compared with \$16,414,000 in 1962.

Net income amounted to \$10,928,000 in 1963 compared with \$9,483,000 in 1962, and dividends paid to Anglo were \$2,654,016 in 1963 compared with the \$2,038,602 received in 1961.

DOMINION DIRECTORY COMPANY LIMITED

The Directory Company, 100% owned by Anglo, sells directory advertising and supervises the publication of telephone directories for British Columbia Telephone Company and other telephone operating companies in Canada. Net income for 1963 was \$287,000 compared with \$269,000 in 1962. Dividends received by Anglo from the Directory Company amounted to \$200,000 in 1963 as compared with \$184,000 in 1962.

CANADIAN (B.C.) TELEPHONES AND SUPPLIES, LTD.

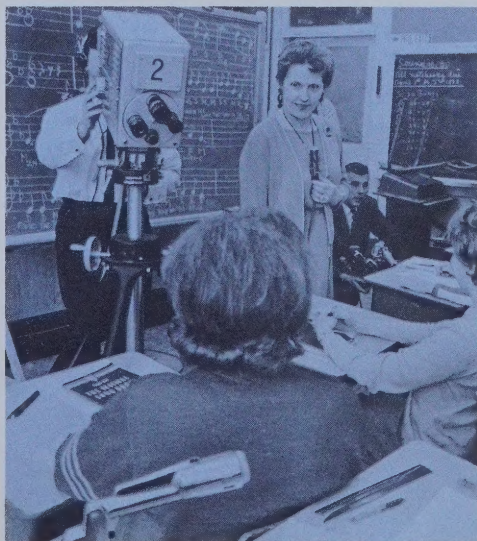
This company, also 100% owned by Anglo, provides contract installation services for British Columbia Telephone Company and other companies in Canada. As a result of a decrease in the volume of work performed for its customers during the

year, 1963 net income was \$113,500 compared with \$139,000 for 1962. Dividends paid to Anglo were \$84,000 in 1963 compared with \$105,000 in 1962.

COMPANIA DOMINICANA de TELEFONOS, C. por A.

Anglo owns all of the 104,144 shares of common stock of this company, which operates the telephone system in the Dominican Republic. Telephones in service at the year-end numbered 26,067, a gain of 2,131 during the year. Additions to telephone plant amounted to \$1,100,000 in 1963, and at year-end total telephone plant was \$14,622,000.

Net income of \$1,277,000 for 1963 showed a gain of \$140,000 over the previous year. Dividends declared were \$624,864, the same as for the year 1962. The exchange control restrictions mentioned in last year's report continued in effect, with the result that the company was unable to remit any payments to Anglo on account of the 1963 dividends declared. The exchange control authorities did permit, however, the payment of \$670,000 to Anglo during the year 1963 in liquidation of principal and interest on notes previ-



ously issued by the Dominican company to cover dividends declared in 1961 and 1962. At year-end Anglo held notes of the Dominican company covering unpaid dividends of \$755,000, of which \$81,000 was applicable to the year 1962.

Affiliated Companies General Telephone & Electronics Corporation directly owns all of the outstanding stock of Automatic Electric Company and owns a majority of the voting rights of Anglo-Canadian Telephone Company. Lenkurt Electric Co., Inc. is a subsidiary of Automatic Electric Company; and Automatic Electric (Canada) Limited, Automatic Electric Sales (Canada) Limited and Lenkurt Electric Co. of Canada, Ltd. are subsidiaries of General Telephone & Electronics International Incorporated, a subsidiary of General Telephone & Electronics Corporation. Each of the manufacturing subsidiaries manufactures telephone equipment which is sold in Canada through Automatic Electric Sales (Canada) Limited and/or Lenkurt Electric Co. of Canada, Ltd. to independent telephone companies and other customers in Canada, including British Columbia Telephone Company. The equipment of each of the manufacturing subsidiaries also is sold to the telephone operating subsidiary in the Dominican Republic through General Telephone & Electronics International Incorporated. Effective June 1, 1963, Automatic Electric Company was merged with and into Associated Telephone and Telegraph Company and Associated Telephone and Telegraph Company as the surviving corporation simultaneously changed its corporate title to Automatic Electric Company.

Disclosure of Interest of Directors and Officers During the year 1963 the interest of the directors and officers of the Company in the affiliated companies previously referred to, was as follows:

DONALD C. POWER was an officer, director and shareholder of General Telephone & Electronics Corporation, a director and shareholder of British Columbia Telephone Company, a director of Automatic Electric

Company, a director of General Telephone & Electronics International Incorporated, and a director and shareholder of Compania Dominicana de Telefonos, C. por A.

THOMAS A. BOYD was an officer of General Telephone & Electronics Corporation until October 31, 1963, and a director and shareholder for the entire year; and until October 31, 1963, a director of Automatic Electric Company and General Telephone & Electronics International Incorporated, and a director and shareholder of Compania Dominicana de Telefonos, C. por A.

DON G. MITCHELL (a director of this Company until April 9, 1963) was a director of General Telephone & Electronics Corporation until February 14, 1963, and a director of British Columbia Telephone Company until March 14, 1963.

ROBERT M. WOPAT was an officer and shareholder of General Telephone & Electronics Corporation for the entire year, and a director and shareholder of Compania Dominicana de Telefonos, C. por A. from September 27, 1963.

JOHN J. DOUGLAS was an officer from November 1, 1963, and a shareholder of General Telephone & Electronics Corpora-



tion for the entire year; a director of General Telephone & Electronics International Incorporated from November 1, 1963 and an officer and director of Lenkurt Electric Co., Inc. and a director of Lenkurt Electric Co. of Canada, Ltd. until August 1, 1963.

GORDON FARRELL was an officer and director of British Columbia Telephone Company until March 14, 1963.

THEODORE S. GARY was an officer, director and shareholder of General Telephone & Electronics Corporation, a director and shareholder of British Columbia Telephone Company, a director of Automatic Electric Company, and an officer, director and shareholder of Compania Dominicana de Telefonos, C. por A.

A. S. TORREY was a director of British Columbia Telephone Company until August 30, 1963.

CYRUS H. MCLEAN was an officer, director and shareholder of British Columbia Telephone Company and an officer, director and shareholder of Compania Dominicana de Telefonos, C. por A.

LESLIE H. WARNER was an officer, director and shareholder of General Telephone & Electronics Corporation, a director of Automatic Electric Company, a director of General Telephone & Electronics International Incorporated; and a director of Lenkurt Electric Co., Inc., until December 17, 1963.

CAMERON HOUGH was a shareholder of General Telephone & Electronics Corporation and British Columbia Telephone Company.

H. H. HOWLETT was an officer and shareholder of General Telephone & Electronics Corporation, an officer of General Telephone & Electronics International Incorporated; a director and shareholder until April 1, 1963, and an officer of Compania Dominicana de Telefonos, C. por A. for the entire year.

R. D. HEUSEL was an officer and shareholder of General Telephone & Electronics

Corporation, an officer of General Telephone & Electronics International Incorporated and an officer of Compania Dominicana de Telefonos, C. por A.

Pending Litigation In 1959 one of the Company's shareholders filed two lawsuits in the Superior Court in Montreal naming the Company as one of the defendants. Neither of these cases has been set for trial.

In each of the Company's annual reports for the years 1959 through 1962, the claims asserted in these two cases were fully described.

It is the opinion of the Company's counsel that the contentions made in these proceedings are without foundation in fact or in law.

In Memoriam It was with deep regret that the Company recorded the untimely death of Senator Duncan K. MacTavish on November 15, 1963, as a result of an automobile accident. Senator MacTavish was a valued member of the Company's Board of Directors for more than six years, and his wise counsel will be sorely missed.



ANGLO-CANADIAN TELEPHONE COMPANY

(Incorporated under the Quebec Companies' Act)

BALANCE SHEETS

AS AT 31st DECEMBER 1963 AND 1962

ASSETS

	31st December	
	1963	1962
INVESTMENTS (Notes 2 and 3)		
Subsidiary companies	\$52,274,116	\$52,392,982
CURRENT ASSETS		
Cash—Canadian funds	\$ 429,833	\$ 280,888
U. S. funds (\$10,564)	11,412	13,054
Bank deposit receipts	600,000	500,000
Due from subsidiary companies (Note 1)	1,711,546	1,570,724
	\$ 2,752,791	\$ 2,364,666
UNAMORTIZED DEBT DISCOUNT AND EXPENSE	\$ 152,812	\$ 168,145
	\$55,179,719	\$54,925,793

LIABILITIES

SHAREOWNERS' EQUITY

CAPITAL STOCK

Authorized—

600,000 cumulative redeemable preferred shares of \$50.00 par value each	\$30,000,000
1,500,000 class A shares of \$10.00 par value each	15,000,000
200,000 deferred shares of \$10.00 par value each	2,000,000
	\$47,000,000

Issued and fully paid—

125,000 4½% preferred shares	\$ 6,250,000	\$ 6,250,000
125,000 \$2.90 preferred shares	6,250,000	6,250,000
140,000 \$2.65 preferred shares (Note 4)	7,000,000	—
734,685 class A shares	7,346,850	7,346,850
200,000 deferred shares	2,000,000	2,000,000

\$28,846,850 \$21,846,850

PREMIUM ON CAPITAL STOCK

10,008,247 10,008,247

EARNINGS RETAINED FOR USE IN THE BUSINESS—

Unappropriated (Note 6)	10,383,843	9,721,492
Appropriated for general contingencies	425,000	425,000

\$49,663,940 \$42,001,589

6% SINKING FUND DEBENTURES SERIES A DUE

1st FEBRUARY 1983 (Note 5)	\$ 5,200,000
Less: Sinking fund instalment due 2nd Feb., 1964	260,000

\$ 4,940,000 \$ 5,200,000

CURRENT LIABILITIES

Long-term debt—current sinking fund maturity (above) (less principal amount purchased for sinking fund)	\$ 221,000	\$ 143,500
Accounts payable	5,062	13,455
Accrued interest on debentures	129,025	133,588
Accrued dividends on preferred shares (subsequently declared)	169,542	107,708
Provision for income taxes	23,554	24,326
Due to affiliated company	36	380
Note payable to parent company (Note 4)	—	7,273,687

\$ 548,219 \$ 7,696,644

RESERVE FOR EMPLOYEES' BENEFITS

\$ 27,560 \$ 27,560

\$55,179,719 \$54,925,793

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board of Directors

JOHN J. DOUGLAS, Director LESLIE H. WARNER, Director

STATEMENTS OF INCOME AND EXPENSES

FOR YEARS ENDED 31st DECEMBER 1963 AND 1962

	1963	1962
INCOME		
Subsidiary companies (dividends, interest and other income) (Note 1).....	\$3,732,822	\$ 3,523,945
Other income	27,518	6,266
	<u>\$3,760,340</u>	<u>\$ 3,530,211</u>
EXPENSES		
General, administrative and contractual expenses.....	\$ 141,568	\$ 515,319
Interest	487,848	602,911
Provision for income taxes.....	36,600	41,250
Other taxes	2,336	2,185
	<u>\$ 668,352</u>	<u>\$ 1,161,665</u>
Net income for the year.....	<u>\$3,091,988</u>	<u>\$ 2,368,546</u>

**STATEMENT OF EARNINGS
RETAINED FOR USE IN THE BUSINESS
UNAPPROPRIATED (NOTE 6)**

FOR YEAR ENDED 31st DECEMBER 1963

Balance as at 1st January 1963.....		\$ 9,721,492
<i>Add</i>		
Net income for the year.....		<u>3,091,988</u>
		<u>\$12,813,480</u>
<i>Deduct</i>		
Dividends paid or provided for:		
4½% cumulative preferred stock.....	\$ 281,250	
\$2.90 cumulative preferred stock.....	362,500	
\$2.65 cumulative preferred stock.....	200,958	
Class A stock.....	1,102,028	
Deferred stock	180,000	
	<u>\$2,126,736</u>	
Share issue expenses.....	302,901	<u>2,429,637</u>
Balance as at 31st December 1963.....		<u>\$10,383,843</u>

The accompanying notes form an integral part of these financial statements.

ANGLO-CANADIAN TELEPHONE CO

CONSOLIDATED BALANCE SHEET

AS AT 31st DECEMBER

ASSETS

	31st December	
	1963	1962
FIXED ASSETS		
Land, buildings, plant and equipment, at cost (including \$2,703,568 being excess of carrying value of investment in subsidiary over book value of its net assets).....	\$378,306,541	\$350,322,803
Less: Provision for accrued depreciation.....	60,742,071	50,843,302
	<u>\$317,564,470</u>	<u>\$299,479,501</u>
 INVESTMENTS AND OTHER ASSETS.....	 \$ 531,095	 \$ 500,287
 CURRENT ASSETS		
Cash	\$ 2,343,333	\$ 3,161,942
Bank deposit receipts.....	1,450,000	600,000
Accounts and notes receivable, less provision for doubtful accounts	11,466,837	9,809,185
Due from affiliated companies.....	68,546	135,834
Materials and supplies, at cost.....	6,463,086	6,946,498
Prepayments	1,509,069	1,355,755
	<u>\$ 23,300,871</u>	<u>\$ 22,009,214</u>
 DEFERRED CHARGES		
Unamortized debt discount and expense.....	\$ 3,505,099	\$ 3,690,939
Other deferred charges.....	1,417,371	1,749,374
	<u>\$ 4,922,470</u>	<u>\$ 5,440,313</u>
	 <u>\$346,318,906</u>	 <u>\$327,429,315</u>

The accompanying notes form an integral part of these financial statements.

ANY AND SUBSIDIARY COMPANIES

E SHEETS (NOTE 1)

1963 AND 1962

LIABILITIES

	31st December	
	1963	1962
SHAREOWNERS' EQUITY		
CAPITAL STOCK		
Authorized—		
600,000 cumulative redeemable preferred shares of \$50.00 par value each.....	\$30,000,000	
1,500,000 class A shares of \$10.00 par value each	15,000,000	
200,000 deferred shares of \$10.00 par value each	2,000,000	
	<u>\$47,000,000</u>	
Issued and fully paid—		
125,000 4½% preferred shares.....	\$ 6,250,000	\$ 6,250,000
125,000 \$2.90 preferred shares.....	6,250,000	6,250,000
140,000 \$2.65 preferred shares (Note 4).....	7,000,000	—
734,685 class A shares.....	7,346,850	7,346,850
200,000 deferred shares.....	2,000,000	2,000,000
	<u>\$ 28,846,850</u>	<u>\$ 21,846,850</u>
PREMIUM ON CAPITAL STOCK.....	10,008,247	10,008,247
EARNINGS RETAINED FOR USE IN THE BUSINESS—		
Unappropriated	18,684,605	16,334,386
Appropriated for general contingencies.....	881,253	817,381
	<u>\$ 58,420,955</u>	<u>\$ 49,006,864</u>
PREFERENCE AND PREFERRED SHARES OF SUBSIDIARY OWNED BY PUBLIC, AND MINORITY INTEREST		
BRITISH COLUMBIA TELEPHONE COMPANY—		
Preference and preferred shares.....	\$ 65,487,700	\$ 53,487,700
Minority interest of ordinary shareowners.....	46,161,115	45,195,609
	<u>\$111,648,815</u>	<u>\$ 98,683,309</u>
LONG-TERM DEBT (Note 5).....	<u>\$142,440,000</u>	<u>\$142,700,000</u>
CURRENT LIABILITIES		
Long-term debt—current sinking fund maturity (less principal amount purchased for sinking fund).....	\$ 221,000	\$ 143,500
Bank loan	6,500,000	5,000,000
Accounts payable	3,036,656	2,812,093
Accrued interest on long-term debt.....	2,306,108	2,321,209
Accrued dividends	1,538,742	1,265,023
Due to affiliated companies.....	2,369,804	1,468,921
Advance billings and payments.....	2,737,397	2,454,321
Provision for income taxes.....	6,159,714	5,359,124
Note payable to parent company (Note 4).....	—	7,273,687
	<u>\$ 24,869,421</u>	<u>\$ 28,097,878</u>
RESERVES AND DEFERRED CREDITS		
Deferred income taxes (Note 7).....	\$ 8,670,544	\$ 8,670,544
Other	269,171	270,720
	<u>\$ 8,939,715</u>	<u>\$ 8,941,264</u>
	<u>\$346,318,906</u>	<u>\$327,429,315</u>

ANGLO-CANADIAN TELEPHONE COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME AND EXPENSES

FOR YEARS ENDED 31st DECEMBER 1963 AND 1962

	1963	1962
OPERATING REVENUES		
Local service	\$47,930,213	\$45,443,275
Toll service	30,892,997	27,560,711
Miscellaneous	3,808,864	3,411,854
<i>Less:</i> Provision for uncollectible accounts..	(410,137)	(418,788)
	<u>\$82,221,937</u>	<u>\$75,997,052</u>
OPERATING EXPENSES AND TAXES		
Maintenance	\$15,381,577	\$14,485,927
Provision for depreciation.....	16,174,674	14,449,348
Traffic, commercial, general administrative and other	17,960,202	17,509,190
General taxes	2,825,401	2,542,374
Provision for income taxes.....	10,496,175	9,120,116
	<u>\$62,838,029</u>	<u>\$58,106,955</u>
Net Operating Income.....	\$19,383,908	\$17,890,097
OTHER INCOME—Miscellaneous—net (including \$495,088 and \$543,686 interest charged to con- struction)	<u>593,644</u>	<u>547,570</u>
	<u>\$19,977,552</u>	<u>\$18,437,667</u>
INTEREST AND OTHER DEDUCTIONS		
Interest on bonds and debentures.....	\$ 7,230,457	\$ 7,340,798
Other interest and amortization of debt discount and expenses	600,641	665,143
	<u>\$ 7,831,098</u>	<u>\$ 8,005,941</u>
Net Income	\$12,146,454	\$10,431,726
Dividends of \$3,317,762 in 1963 and \$2,854,262 in 1962 to preference and preferred share- holders of British Columbia Telephone Com- pany and minority interest of ordinary share- holders in the net income of that company for the year.....	7,112,312	6,407,633
Consolidated Net Income.....	<u>\$ 5,034,142</u>	<u>\$ 4,024,093</u>

The accompanying notes form an integral part of these financial statements.

ANGLO-CANADIAN TELEPHONE COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

FOR YEAR ENDED 31st DECEMBER 1963

UNAPPROPRIATED

Balance as at 1st January 1963.....		\$16,334,386
Add: Net income for the year.....		5,034,142
		<u>\$21,368,528</u>
Deduct: Dividends paid or provided for—		
4½% cumulative preferred stock.....	\$ 281,250	
\$2.90 cumulative preferred stock.....	362,500	
\$2.65 cumulative preferred stock.....	200,958	
Class A stock.....	1,102,028	
Deferred stock	180,000	
	<u>\$ 2,126,736</u>	
Share issue expenses.....	493,315	
Transfer to retained earnings—		
appropriated	63,872	2,683,923
Balance as at 31st December 1963.....		<u><u>\$18,684,605</u></u>

APPROPRIATED FOR GENERAL CONTINGENCIES

Balance as at 1st January 1963.....	\$ 817,381
Add: Transfer from retained earnings—	
unappropriated	63,872
Balance as at 31st December 1963.....	<u><u>\$ 881,253</u></u>

The accompanying notes form an integral part of these financial statements.

ANGLO-CANADIAN TELEPHONE COMPANY AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

31st DECEMBER 1963

(1) All wholly-owned subsidiary companies are consolidated herein, and in addition, British Columbia Telephone Company which is owned to the extent of 50.14% of the ordinary shares of that company, is included in the consolidation.

The accounts of a subsidiary company, Compania Dominicana de Telefonos, C. por A., have been consolidated on the basis of the Dominican peso being equivalent to the Canadian dollar. As at 31st December 1963, dividends declared, accrued interest and accrued service fees aggregating \$1,019,036, of which \$794,068 represents income of the current year, have not been remitted to the Company by the subsidiary due to exchange control restrictions. It is not possible to state when restriction on the export of currency will be fully removed and if so, the applicable rate of exchange.

(2) In January 1959, Compania Dominicana de Telefonos, C. por A. under the terms of a contract with the then existing Government of the Dominican Republic, offered for sale to unspecified Dominican persons or entities 40% of its existing capital shares issued and outstanding. This offer will remain open for a period of seven years from January 1959. In 1961, advances to Compania Dominicana de Telefonos, C. por A., in the amount of \$3,250,000 were repaid from the proceeds of sale to the Company of 33,817 shares of the common stock of Compania Domini-

cana de Telefonos, C. por A. at \$100 per share. In accordance with the terms of the contract referred to above, 40% of such shares were offered to Dominican persons or entities for a period of seven years from the date of the offer. Although the Government of the Dominican Republic acknowledged these offers, no acceptance of the offers has yet been received.

Under the terms of this contract, the Dominican Government also has the right to acquire at any time during the life of the contract, the telephone, telegraph and radio-telegraph property and related assets and liabilities of the company, at underlying book value.

(3) During the year the Company received from the Canadian War Damage Commission partial settlement of its claim in respect of its previous investment in Philippine Long Distance Telephone Company. The Company has credited the amount of this settlement (\$131,428) to its investment account to reduce the carrying value of its investment in the ordinary shares of British Columbia Telephone Company.

(4) During the year the Company issued 140,000 shares of \$2.65 cumulative preferred stock at par (\$50), the net proceeds of which were applied in part repayment of a note payable to its parent company (U.S. \$6,700,000).

(5) LONG-TERM DEBT

Anglo-Canadian Telephone Company—

6% Sinking Fund Debentures series "A" due 1st February 1983	\$ 5,200,000	
Less: Sinking fund instalment due 2nd February 1964	260,000	\$ 4,940,000
(\$260,000 principal amount retired annually under Trust Deed)		

British Columbia Telephone Company—

First mortgage bonds—

Series "A" 3¾% due 1st March 1971.....	\$16,500,000	
Series "B" 3⅛% due 1st March 1971.....	3,000,000	
Series "C" 3¾% due 1st March 1971.....	8,000,000	
Series "D" 4½% due 1st March 1971.....	8,000,000	
Series "E" 4¾% due 1st October 1975.....	7,000,000	
Series "F" 5% due 1st April 1982.....	25,000,000	
Series "G" 5¼% due 1st November 1983.....	20,000,000	
Series "H" 6% due 15th September 1984.....	15,000,000	
Series "I" 5¾% due 1st August 1985.....	15,000,000	
Series "J" 5¾% due 15th July 1986.....	20,000,000	137,500,000
		<u>\$142,440,000</u>

(6) Under the terms of the Trust Deed applicable to the 6% Sinking Fund Debentures of the Company, the Company has covenanted that it will not, so long as any Series "A" Debentures remain outstanding, declare or pay any dividends (other than stock dividends or dividends on its cumulative preferred shares) which would reduce the unappropriated surplus of the Company below the amount of \$4,083,011.

(7) Provisions have been made in prior years by charges against income in the net amount of \$8,670,544 for additional income taxes, payment of which has been deferred by claiming for tax purposes capital cost allowances in excess of depreciation provided in the accounts. With effect from 1st January 1958 the amount of capital cost allowance claimed has been restricted to the amount of depreciation recorded in the accounts.

RIDDELL, STEAD, GRAHAM & HUTCHISON
CHARTERED ACCOUNTANTS

630 DORCHESTER BLVD. W.

MONTREAL 2

30th January 1964

TO THE SHAREHOLDERS,
ANGLO-CANADIAN TELEPHONE COMPANY.

Section 111 of the Quebec Companies' Act reads, in part, as follows:

"2. The auditors shall make a report to the shareholders on the accounts examined by them, and on every balance sheet laid before the company in general meeting during their tenure of office, and the report shall state:

a. Whether or not they have obtained all the information and explanations they have required, and

b. Whether the balance sheet referred to in the report is drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of their information and the explanations given to them, and as shown by the books of the company.

"3. The balance sheet shall be signed on behalf of the board by two of the directors of the company, and the auditors' report shall be attached to the balance sheet, or there shall be inserted at the foot of the balance sheet a reference to the report, and the report shall be read before the shareholders in general meeting, and shall be open to inspection by any shareholder."

We have examined the balance sheet of Anglo-Canadian Telephone Company as at 31st December 1963, the consolidated balance sheet of the Company and subsidiary companies as at that date, and the related statements of income and expense and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records of the Company and its subsidiaries and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheets and the related statements of income and expense and retained earnings were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company and its subsidiaries according to the best of our information and the explanations given to us and as shown by the books of the companies.

The notes to the financial statements refer briefly to matters which have an important bearing on the financial condition of the Company as at 31st December 1963.

The officers and directors of the Company have requested that we furnish the shareholders additional details with respect to the notes appended to the financial statements.

1. THE FINANCIAL STATEMENTS

The financial statements (appended to the foregoing report of the Board of Directors) covered by this report are the balance sheet, the statement of income and expense and the statement of retained earnings of Anglo-Canadian Telephone Company, and the consolidated balance sheet, consolidated statement of income and expense and consolidated statement of retained earnings of Anglo-Canadian Telephone Company and its subsidiaries: Dominion Directory Company Limited, Canadian (B.C.) Telephones and Supplies, Ltd., Compania Dominicana de Telefonos, C. por A., and British Columbia Telephone Company for the year ended 31st December 1963. Under generally accepted accounting principles the accounts of wholly or partly owned subsidiary companies are properly consolidated only when such companies are operated under the common control of a single parent and may be realistically regarded as an economic unit.

Since, as at 31st December 1963, the Company owned all of the outstanding equity stock of the first three subsidiary companies mentioned above, and 50.14% of the outstanding ordinary shares of British Columbia Telephone Company, and since all are engaged in related businesses, it follows that the accounts of the four subsidiaries are properly included in the consolidated statements.

Owing to the present exchange control restrictions in the Dominican Republic, as at 31st December 1963 dividends declared, accrued interest and accrued service fees aggregating \$1,019,036 have not been remitted to the Company by Compania Dominicana de Telefonos, C. por A. (Of this amount \$794,068 represents income of the current year.) It is not now possible to state when restrictions on the export of currency will be fully removed and if so, the applicable rate of exchange. However, during 1963 applications were approved for transfers of currency from the Dominican Republic amounting to \$670,000 Canadian funds.

2. THE INVESTMENT ACCOUNTS

The balance sheet of Anglo-Canadian Telephone Company as at 31st December 1963 shows investments in subsidiary companies totalling \$52,274,116. Of this total, \$7,586,419 represents investments in the three wholly owned subsidiaries, and the remaining \$44,687,697 represents the cost to Anglo-Canadian Telephone Company of the 1,153,920 ordinary shares, 70 preference shares and 53 preferred shares of British Columbia Telephone Company. This represents a net reduction during 1963 of \$118,866 in the book value of the British Columbia Telephone Company ordinary shares as a result of the following transactions:

4th April 1963:

Additional exchange cost re purchase of forward contract for repayment of loan of U.S. \$6,700,000 incurred to purchase 192,320 ordinary shares of British Columbia Telephone Company through exercise of rights to subscribe, on 4th October 1962	\$ 12,562
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27th December 1963:

Amount received from Canadian War Damage Commission as partial settlement of claim in respect of the Company's previous investment in Philippine Long Distance Telephone Company....	(131,428)
<i>Net reduction in investment.....</i>	<u>\$118,866</u>

As noted above the accumulated cost of the investment in British Columbia Telephone Company has been reduced by \$118,866 including a further amount received from the Canadian War Damage Commission as partial settlement of its claim in respect of its previous investment in Philippine Long Distance Telephone Company. This conforms to the basis upon which the value originally attributed to these investments was arrived at. The ordinary shares are the only class of shares of British Columbia Telephone Company having voting power under normal circumstances.

In January 1959 the subsidiary company, Compania Dominicana de Telefonos, C. por A., under the terms of a contract negotiated with the then existing Government of the Dominican Republic, offered for sale to unspecified Dominican persons or entities 40% of its existing capital shares issued and outstanding. This offer will remain open for a period of seven years from January 1959.

In 1961, advances to Compania Dominicana de Telefonos, C. por A. in the amount of \$3,250,000 were repaid from the proceeds of the sale to the Company of 33,817 shares of the common stock of Compania Dominicana de Telefonos, C. por A. at \$100 per share. In accordance with the terms of the contract referred to above, 40% of such shares were offered to Dominican persons or entities, for a period of seven years from the date of the offer. Although the Government of the Dominican Republic acknowledged these offers, no acceptance of the offers has yet been received.

Under the terms of this contract, the Dominican Government also has the right to acquire at any time during the life of the contract, the telephone, telegraph and radio-telegraph property and related assets and liabilities of the company at underlying book value, including a fixed amount of \$2,279,205. This additional value (\$2,279,205) determined for the property has been recorded as telephone plant adjustment and the capital surplus arising therefrom was capitalized during 1958 by the issuance of \$2,279,200 par value of common shares to Anglo-Canadian Telephone Company.

3. FINANCING

During the year the Company obtained supplementary letters patent to increase its authorized capital from \$23,000,000 to \$47,000,000 by the addition of 350,000 cumulative redeemable preferred shares of \$50 par value each and 650,000 class A shares of \$10 par value each. Subsequently, on 21st May 1963, an issue was made of 140,000 \$2.65 preferred shares which were sold at par. The net proceeds of this issue were applied in part repayment of the loan of U.S. \$6,700,000 (referred to above) from General Telephone & Electronics Corporation.

4. CLAIMS ON EARNINGS AND RESTRICTIONS ON DIVIDENDS

On 1st February 1958 the Company issued \$6,500,000 6% Sinking Fund Debentures, Series A, maturing 1st February 1983. Under the terms of the Trust Agreement the Company covenanted to pay to the Trustee in each of the years 1959 to 1982, inclusive, a sum sufficient to retire \$260,000 principal amount of these debentures, the remaining balance of \$260,000 being payable at maturity. In addition, Anglo-Canadian Telephone Company covenanted, in effect, under the Trust Agreement that it will not, so long as any Series A Debentures remain outstanding, declare or pay any dividends (other than stock dividends or dividends on its cumulative preferred shares) in excess of the net income of the Company earned after 1st January 1958 plus the sum of \$500,000.

Riddell, Stead, Graham & Hutchinson

Auditors

DIRECTORS

THOMAS A. BOYD

CYRUS H. McLEAN

JAMES J. CLERKIN, JR.

DONALD C. POWER

ARISTIDE COUSINEAU

OSMOND B. THORNTON

JOHN J. DOUGLAS

A. S. TORREY

THEODORE S. GARY

LESLIE H. WARNER

OFFICERS

JOHN J. DOUGLAS, *President*

CAMERON HOUGH, *Secretary and Treasurer*

THEODORE S. GARY, *Vice-President*

H. H. HOWLETT, *Assistant Secretary*

R. D. HEUSEL, *Assistant Treasurer*

TRANSFER AGENTS AND REGISTRARS

CANADA

CUMULATIVE PREFERRED STOCK

The Royal Trust Company, Montreal, P. Q., Canada

Co-Transfer and Co-Registrar Offices at

Toronto, Winnipeg, Vancouver, Saint John and Halifax

CLASS A STOCK

Montreal Trust Company, Montreal, P.Q., Canada

Co-Transfer and Co-Registrar Offices at

Toronto, Vancouver, Saint John and Halifax

UNITED STATES

Bankers Trust Company, New York, New York, U.S.A.



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